

**BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
AND SCHEDULE OF FINDINGS
CITY OF HAWARDEN, IOWA
FOR THE
FISCAL YEAR ENDED JUNE 30, 2014**

**Prepared by
Office of the City Clerk
Gary Tucker, City Administrator/City Clerk
and Sharole Rens, Deputy City Clerk/Director of Finance**

**CITY OF HAWARDEN
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014
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CITY OF HAWARDEN, IOWA
Directory of City Officials
June 30, 2014

Elected City Officers

Ricard Porter – Mayor (2015)

Council Members:

Joel Fluit (2017)
Monte Harvey (2017)
Timothy Kurth (2017)
Larry Bauer (2015)
Travis Olson (2015)

Hospital Trustees:

Matt Hummel (2015)
Kathy Jacobs (2015)
Glea Hamik (2015)
Dennis Hulshof (2017)
Stan Hoekstra (2017)

Appointed City Officers

Gary Tucker – City Administrator/City Clerk/Telecommunications Director
Sharole Rens – Director of Finance/Deputy City Clerk
Jim Pickner – City Attorney
Tom Kane – Director of Public Works
Mike DeBruin – Chief of Police
Valerie Haverhals – Librarian

Appointed Boards and Commissions

Library Board of Trustees:

Teri Kallsen - Chairman
Kay Scroggs - Vice Chairman
Lois Jean Dawson
Tony Lauters
Denny Peters

Planning and Zoning Commission

Carol Frerichs - Chairman
Mike Wiggins - Vice Chairman
Lloyd Strong, Jr.
Jerry Jensen
Lloyd Youngkin
Terry Shea

Board of Zoning Adjustment:

William Salker – Chairman
Julie Miller
Jack Andela
Arvin Kitchenmaster
John Eilts

Park Board:

Duane Schiefen
Jerrod Lynott
Elaine Kane
John Blankenship

INDEPENDENT AUDITOR'S REPORT

The Mayor and Members of the
City Council
City of Hawarden, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the CITY OF HAWARDEN, IOWA (the City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Hawarden Regional Healthcare, (a discretely presented component unit), which statements reflect total assets and deferred outflows of \$7,706,132 and total program revenues of \$7,905,298 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion insofar as it relates to the amounts included for the Hawarden Regional Healthcare, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit, and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the discretely presented component unit of the City of Hawarden, Iowa as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and OPEB Schedule of Funding Progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hawarden's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, the combining nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated December 1, 2014, on our consideration of the City of Hawarden's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Hawarden's internal control over financial reporting and compliance.

Williams & Company, P. C.
Certified Public Accountants

Le Mars, Iowa
December 1, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2014

As management of the City of Hawarden, we offer readers of the City of Hawarden's financial statements this narrative overview and analysis of the financial activities of the City of Hawarden for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information contained within the City's financial statements that follow this report, as well as the separately issued financial statements of the Hawarden Community Hospital, a discretely presented component unit of the City.

Financial Highlights

- The assets of the City of Hawarden exceeded liabilities at June 30, 2014 by \$16,892,800. Of this amount, \$6,036,019 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net position increased \$313,306 during the year. Of this amount, the assets of our Governmental Activities increased \$331,958 and the assets of our Business-Type Activities decreased \$18,652.
- The City's long-term debt reflected a significant decrease of \$616,847 as a result of debt repayment and no additional debt obligations in 2014. Outstanding General Obligation debt totals \$1,188,627. Outstanding Revenue Bond Debt totals \$3,283,741.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Hawarden's basic financial statements which consist of a series of financial statements comprised of three components: 1) The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. 2) Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the government. 3) An additional part of the basic financial statements are the Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements.

REPORTING THE CITY AS WHOLE

The Statement of Net Position and the Statement of Activities

The government-wide statements report information about the City as a whole using accounting methods similar to those used by the private sector companies. The Statement of Net Position includes all of the government's assets and liabilities. All of the current year's revenue and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

These statements include all assets and liabilities using the accrual basis of accounting, which is very similar to the method of accounting used by the private-sector companies. These two statements report the City's financial health, or financial position. Over time, increases or decreases in the City's net position is one indicator of whether its financial health is improving or deteriorating. Additional factors, such as changes in the City's property tax base and sales tax collections and condition of the City's infrastructure, are also important in making this determination.

In the Statement of Net Position and the Statement of Activities, we have divided the City into two kinds of activities:

- **Governmental Activities** – Most of the City's basic services are reported here, such as Police, Fire, Ambulance, Public Works, Parks, and Recreation departments, and general administration. Property Taxes, charges for services, state and federal grants finance most of these activities.
- **Business Type Activities** – The City charges fees to customers to cover the cost of these services. Included here are the City Electric, Water, Sewer, Natural Gas, City Telephone, and Cable/High Speed Internet.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by State law or by bond requirements. The City Council also established funds to control and manage money for particular purposes (such as construction projects) and to show that it is properly using certain revenues (such as Sales Tax Revenues). The City has the following types of funds:

- **Governmental Funds** – Most of the City's basic services are included in Governmental Funds, which focus on how money moves into and out of these funds and the balances left at year-end are available for spending. These funds are reported using a modified accrual basis of accounting, which measures cash

and all other financial assets that can readily be converted to cash. The Governmental Fund Statements provide a detailed short-term view of the City's general governmental operations and basic services it provides. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance City programs. We describe the relationship between Governmental Activities (reported in the Statement of Net Assets and the Statement of Activities) and the Governmental Funds in a reconciliation following each Governmental Fund financial statement.

- **Proprietary Funds** – When the City charges customers for the service it provides, these services are generally reported in Proprietary Funds. Proprietary Funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. The major difference between the Proprietary Funds report and the Business Type Activities report in the government-wide statements is the detail and additional information, such as cash flows, provided in the Proprietary Funds report.

THE CITY AS TRUSTEE

Reporting the City's Fiduciary Responsibilities

Fiduciary Funds are used to account for resources held for the benefit of parties outside the City government. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found behind the Fiduciary Funds statements.

THE CITY AS A WHOLE

As stated earlier, net assets may serve over time as a useful indicator of a government's financial position. The largest part of the City's net position reflects its investment in capital assets (land, buildings and improvements, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from the other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

For the year ended June 30, 2014, net position changed as follows:

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and Other Assets	\$ 3,902,766	\$ 4,377,634	\$ 5,040,320	\$ 5,681,657	\$ 8,943,086	\$ 10,059,291
Capital Assets	8,927,223	8,290,019	5,143,551	4,986,549	14,070,774	13,276,568
Total Assets	12,829,989	12,667,653	10,183,871	10,668,206	23,013,860	23,335,859
Long-term Liabilities	1,232,284	1,422,086	3,321,570	3,741,891	4,553,854	5,163,977
Other Liabilities	168,261	168,825	336,848	382,209	505,109	551,034
Total Liabilities	1,400,545	1,590,911	3,658,418	4,124,100	5,058,963	5,715,011
Deferred Inflows of Resources	1,062,098	1,041,354	-	-	1,062,098	1,041,354
Total Deferred Inflows of Resources	1,062,098	1,041,354	-	-	1,062,098	1,041,354
Net Position:						
Invested in Capital Assets, Net of Related Debt	7,738,596	6,907,323	1,859,810	1,280,030	9,598,406	8,187,353
Restricted	748,632	665,430	509,743	518,076	1,258,375	1,183,506
Unrestricted	1,880,118	2,462,635	4,155,901	4,746,000	6,036,019	7,208,635
Total Net Position	\$ 10,367,346	\$ 10,035,388	\$ 6,525,454	\$ 6,544,106	\$ 16,892,800	\$ 16,579,494

The government's net position increased by \$313,306 during the current fiscal year. The reasons for the increase of the government's net position is due to improved operational efficiencies with decreases in payroll and operating expenses. This summary reflects an increase of total net position by 3.3% for the Governmental Activities and a decrease of .3% in the Business-Type Activities.

Total Revenue and Expenses and changes in Net Position reported in fiscal year 2014 as compared to fiscal year 2013 are shown in the chart below.

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charges for Services	\$ 492,673	\$ 386,833	\$ 5,515,176	\$ 5,185,928	\$ 6,007,849	\$ 5,572,761
Operating Grants & Contributions	287,268	287,348	-	-	287,268	287,348
Capital Grants & Contributions	138,682	223,635	-	7,908	138,682	231,543
General Revenues:						
Property Taxes	1,040,182	1,043,028	-	-	1,040,182	1,043,028
Other Taxes	292,197	306,189	-	-	292,197	306,189
Other	26,726	27,493	111,039	68,241	137,765	95,734
Total Revenues	\$ 2,277,728	\$ 2,274,526	\$ 5,626,215	\$ 5,262,077	\$ 7,903,943	\$ 7,536,603

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Expenses:						
General Government	\$ 100,403	\$ 122,747	\$ -	\$ -	\$ 100,403	\$ 122,747
Public Safety	672,958	654,016	-	-	672,958	654,016
Public Works	588,679	626,806	-	-	588,679	626,806
Health & Welfare	293,492	307,484	-	-	293,492	307,484
Culture & Recreation	502,996	464,160	-	-	502,996	464,160
Community and Economic Development	291,111	272,956	-	-	291,111	272,956
Capital Projects	-	-	-	-	-	-
Debt Service	55,131	64,111	-	-	55,131	64,111
Water Utility	-	-	377,570	344,851	377,570	344,851
Waste Water Utility	-	-	349,025	308,609	349,025	308,609
Electric Utility	-	-	2,009,660	1,937,007	2,009,660	1,937,007
Gas Utility	-	-	1,081,333	792,183	1,081,333	792,183
Solid Waste Utility	-	-	154,905	152,096	154,905	152,096
Telephone Utility	-	-	596,957	622,757	596,957	622,757
Cable/Internet Utility	-	-	516,417	484,820	516,417	484,820
Total Expenses	2,504,770	2,512,280	5,085,867	4,642,323	7,590,637	7,154,603
Increase (Decrease) in Net Position Before Transfers	(227,042)	(237,754)	540,348	619,754	313,306	382,000
Transfers	559,000	411,000	(559,000)	(411,000)	-	-
Increase (Decrease) in Net Position	331,958	173,246	(18,652)	208,754	313,306	382,000
Net Position July 1	10,035,388	9,862,142	6,544,106	6,335,352	16,579,494	16,197,494
Net Position June 30	\$ 10,367,346	\$ 10,035,388	\$ 6,525,454	\$ 6,544,106	\$ 16,892,800	\$ 16,579,494

Program revenues totaled \$6,433,799 for fiscal year 2014 compared to \$6,091,652 for fiscal year 2013. Governmental Activities provided \$918,623 and Business-Type Activities provided \$5,515,176. Revenue collected for Charges for Services during fiscal year 2014 was \$6,007,849 accounting for 93.4% of the total program revenues.

General Revenues for fiscal year 2014 totaled \$1,470,143. Governmental Activities provided \$1,359,105 and Business-Type Activities provided \$111,038. Property Tax Revenues for fiscal year 2014 totaled \$1,040,181 accounting for 76.5% of General Revenues.

Expenses for fiscal year 2014 totaled \$7,590,637. Expenses for Governmental Activities totaled \$2,504,770, accounting for 33.0% of total expenses. Business-Type Activity expenses totaled \$5,085,867, for 67.0% of the total.

The following table shows the activities included within each program level:

<u>Program Level</u>	<u>Activity</u>
Public Safety	Individual & Community Protection, Physical Health
Public Works	Roadway Construction, Airport Operations, Street Lighting, Transportation Services
Culture and Recreation	Education & Culture, Leisure Time Opportunities

<u>Program Level</u>	<u>Activity</u>
Community and Economic Development.....	Economic Development, Community Beautification, Planning and Zoning
General Government	Administration, Support Services
Debt Service	Payment of Principal and Interest
Capital Projects	Construction of Capital Facilities
Water System	Operation of Water Treatment Plant/Supply Distribution System
Sewer System.....	Operation of the Waste Water Treatment Plant/Collection System
Electric System	Operation of Electric Distribution System
Natural Gas Utility	Operation of Natural Gas Distribution System
Solid Waste Utility	Oversight of Solid Waste Contract/Closed Landfill
Telephone Utility	Operation of Telephone Communication System
Cable/Internet Utility.....	Operation of Cable/Internet System

Governmental Activities

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. Please note that the expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a Net (Expense) Revenue calculation. This format highlights the respective financial burden that each of the functions place on the taxpayers. For example, for Public Safety, the City spent \$672,958 and received \$300,402 in revenue, thus leaving a cost to the taxpayer of \$372,556 to be funded by various methods. The format also identifies how much each function draws from general revenues or is self-financing through fees or grants. Some of the individual line item revenues reported for each function are:

Public Safety	Fines, Fees
Culture and Recreation	Fees, Donations, Grants
General Government	Licenses, Permits

The total cost of governmental activities this year was \$2,504,770. Of these costs, \$492,673 was paid by those who directly benefited from the programs. Costs paid by other governments and organizations that subsidized certain programs with grants and contributions were \$425,950, leaving a Net Expense of \$1,586,147 for Governmental Activities. These expenses were covered with tax revenues, interest and other general revenues. The Statement of Activities in the financial statements provides further detail.

Total resources available during the year to finance governmental operations were \$12,872,070, consisting of Net Position at July 1, 2013 of \$10,035,388, Program Revenues of \$918,623 and General Revenues and transfers of \$1,918,105. Total Governmental Activities during the year expended \$2,504,770; thus, net position was increased by \$331,958, to \$10,367,346.

Business-Type Activities

Business-Type Activities decreased the City's net position by \$18,653.

The cost of all Proprietary Activities this year was \$5,085,867. As shown in the Statement of Activities, the amount paid by users of the systems was \$5,515,176, resulting in total Net Revenue for Business-Type Activities of \$429,309.

Total resources available during the year to finance Proprietary Fund activities were \$11,611,320, consisting of net position at July 1, 2013 of \$6,544,106, Program Revenues of \$5,515,176 and General Revenues and transfers of (\$447,962). Total Proprietary Fund Activities during the year expended \$5,085,867; thus net position was decreased by (\$18,653) to \$6,525,453.

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unreserved fund balance may serve as a useful measure of the government's net resources available for spending at the end of a fiscal year. The City's Governmental Funds reported combined ending fund balances of \$1,543,819. The combined Governmental Funds balance decreased (\$524,180) from the prior year.

The General Fund is the primary operating fund of the City. During the year, revenues were greater than expenditures in the General fund by \$38,868. This is an improvement from fiscal year 2013 when the General fund decreased by (\$171,233). The TIF Fund saw a (\$221,695) decrease in its fund balance, due mainly to increases in project debt. The Capital Projects Fund also reflected a decreased fund balance of (\$340,324).

Budgetary Highlights

The following table shows the budget variances by program expenditure structure:

	Amended Budget	Actual Expenditures	Variance
Public Safety	\$ 659,614	\$ 643,047	\$ 16,567
Public Works	451,416	433,991	17,425
Culture and Recreation	442,949	425,977	16,972
Community and Economic Development	156,454	135,807	20,647
General Government	108,112	87,133	20,979
Health and Social Services	300,000	292,197	7803
Debt Service	239,993	250,986	(10,993)
Capital Projects	1,268,721	1,067,297	201,424
Business Type Activities	15,046,997	12,587,106	2,459,891
Total Expenditures	\$ 18,674,256	\$ 15,923,541	\$ 2,750,715

Below is a brief recap of budget activity for the year:

- The total original revenue budget of \$15,680,993 was increased to \$16,384,063 (an increase of \$703,070). A substantial portion of this increase can be attributed to intergovernmental (hospital) increases.
- Property Tax budgeted revenues exceeded actual revenues by \$295,647 due primarily to changes in assessed valuations.
- Intergovernmental revenue exceeded budget figures by \$399,161 which is primarily attributed to the substantial revenue increases in the hospital operation.
- Charges totaled \$13,594,849 which was \$751,354 less than the budgeted amount due to lower utility revenues, utility administration charges and hospital Medicare reimbursement variables.
- Contribution revenue exceeded budget figures by \$78,748.
- The total original expenditure budget of \$17,668,006 was increased to \$18,674,256 (an increase of \$1,006,250) due to changes in the expenses for business type activities.
- The above amendments to budgets were related to appropriations for capital improvements and capital outlay. Capital project expenditures included the electric underground project and Central Avenue paving project as well as other small projects. Expenditures fell below the revised budget projections by \$2,750,715. This is primarily due to careful attention to expenditures.

Capital Assets

The City's investment in capital assets, including land, buildings and improvements, equipment, streets, and other infrastructure represents the value of the resources utilized to provide services to our citizens. The investment in capital assets as of June 30, 2014, was \$9,598,406 (net of accumulated depreciation and outstanding financings) compared to \$8,187,353 as of June 30, 2013. The increase can be accounted for by several large infrastructure projects and debt decreases that have been funded with profits from our utilities. See Note 4 to the financial statements for more information on the City's capital assets.

DEBT ADMINISTRATION

At year-end, the City had \$4,472,368 of debt outstanding which is a \$616,847 decrease from last year. This decrease is a result of scheduled debt repayments with no additional new debt added in 2014. Debt administration is on track for all City debt to be repaid within twenty years. This aggressive repayment schedule, combined with the use of TIF revenue for debt repayment, has allowed the City to maintain a good credit rating which reflects well on our community.

The City continues to operate well under State debt capacity limitations. The State limits the amount of General Obligation Debt Outstanding to 5% of the assessed value of all taxable property in the community. Thus, our debt capacity is \$4,076,227. With outstanding General Obligation Debt applicable to this limit of \$1,188,627, we are utilizing 29.2% of this limit. More detailed information on debt administration is provided in Note 5 of the financial statements.

ECONOMIC FACTORS

The City of Hawarden continues to maintain a progressive approach to growth and community development. During fiscal year 2014 work proceeded on utility infrastructure and capital projects as scheduled.

Economically, the City works hard to attract new businesses and industry, while maintaining the quality of life residents have come to expect and enjoy. The following are a few examples of these efforts: Fiesta Foods was purchased and after undergoing an extensive remodeling is now operating as Sunshine Foods. Coilcraft has purchased the old Staples building and will be expanding their operation. Superior Farms has expanded their pet treat operations in Hawarden and continue to add employees. The Spec Building continues to be marketed with a professional R/E agency. There have been several new retail businesses open in fiscal year 2014. The City will complete a resurfacing project on 16th Street from Ave. E to K18 in fiscal year 2015 and is planning to resurface Ave. L in fiscal year 2016-17.

In business and industry recruitment, the City of Hawarden's Community Development Committee continues to work on business recruitment and retention. Furthermore they will focus on marketing Hawarden through various means both internally (the community) and externally (surrounding communities and/or potential businesses). The City of Hawarden continues to expand its comprehensive marketing campaign with a new website and logo which promotes Hawarden in a professional light as well as brand the community's name to decision-makers around the world.

Hawarden as a community continues to provide excellent medical care through two clinics and the Hawarden Community Hospital. The Hospital is going out for bids on a major expansion/renovation project which should be completed within the next 12-18 months and have received an \$8.8M loan commitment from USDA/RD to finance the project. We are also fortunate to have an excellent nursing home and two assisted living centers in our community. The Family First Dental Clinic offers excellent dental care for the community.

Beautification projects continue to be a priority for the community. The City of Hawarden has been committed to a Walking Trail Project that will eventually surround the entire city. Work on the walking trail will continue in fiscal year 2015 with completion of a section of trail within the Big Sioux Recreation Area. This will enhance the health and wellness of our citizens who do a great deal of walking, and also provide a much safer place for citizens to walk and get exercise. A new digital sign has been constructed at the corner of 10th and Central Avenue as another form of marketing events in our community. The City of Hawarden continues their beautification efforts through enforcement of its Property Maintenance Code.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Gary Tucker at 712-551-2565.

CITY OF HAWARDEN, IOWA
STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Hawarden Regional Healthcare
ASSETS				
Cash and Cash Equivalents	\$ 2,091,014	\$ 2,428,453	\$ 4,519,467	\$ 1,377,107
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	118,918	211,060	329,978	1,883,987
Taxes	23,235	-	23,235	-
Subsequent Year Taxes	1,062,098	-	1,062,098	-
Accrued Interest	336	4,355	4,691	-
Other	-	-	-	86,463
Estimated Unbilled Usage	-	211,292	211,292	-
Special Assessments	41,201	9,693	50,894	-
Notes Receivable	413,049	-	413,049	-
Internal Balances	(171,973)	171,973	-	-
Due from Other Governmental Agencies	129,890	-	129,890	540,237
Inventories	-	510,635	510,635	135,538
Prepaid Assets	60,182	61,351	121,543	125,686
Investment in Joint Venture	-	845,122	845,122	-
Restricted Assets:				
Cash and Cash Equivalents - Board Restricted	-	-	-	547,733
Cash and Cash Equivalents - Donor Restricted	134,816	-	134,816	100,042
Cash and Cash Equivalents - Bond Reserve	-	518,110	518,110	-
Customer Deposits	-	68,266	68,266	-
Land	363,031	56,094	419,125	172,313
Construction in Progress	893,368	1,631,675	2,525,043	468,215
Infrastructure, Property and Equipment, Net of Accumulated Depreciation (Note 4)	7,670,824	3,455,782	11,126,606	1,531,728
Other assets	-	-	-	9,041
Total Assets	12,829,989	10,183,871	23,013,861	6,980,090
DEFERRED OUTFLOWS OF RESOURCES				
Intangible asset, net	-	-	-	726,042
Total Deferred Outflows of Resources	-	-	-	726,042
LIABILITIES				
Accounts Payable	118,770	209,230	328,000	541,198
Accrued Wages	41,700	27,719	69,419	250,322
Accrued Expenses	113	5,963	6,076	32,443
Due to Other Governments	-	16,622	16,622	-
Accrued Postclosure Costs	-	680	680	-
Accrued Interest Payable	7,678	-	7,678	-
Payables from Restricted Assets:				
Customer Deposits	-	68,266	68,266	-
Accrued Revenue Bond Interest	-	8,367	8,367	-
Long-Term Liabilities:				
Due within one year:				
Revenue Bonds Payable	-	330,000	330,000	-
General Obligation Bonds	198,756	-	198,756	-
Notes Payable	-	-	-	155,538
Compensated Absences	6,706	7,565	14,271	-
Due in more than one year:				
Revenue Bonds Payable	-	2,953,741	2,953,741	-
General Obligation Bonds	989,871	-	989,871	-
Notes Payable	-	-	-	762,930
Compensated Absences	28,823	30,264	57,087	-
Estimated Other Post Employment Benefit Obligations	10,128	-	10,128	-
Total Liabilities	1,400,545	3,658,417	5,058,962	1,742,431
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue- subsequent year taxes	1,062,098	-	1,062,098	-
Unavailable Revenue- delinquent property taxes	-	-	-	-
Unavailable Revenue- special assessments	-	-	-	-
Total Deferred Inflows of Resources	1,062,098	-	1,062,098	-
NET POSITION				
Net Investment in Capital Assets	7,738,596	1,859,810	9,598,406	1,253,788
Restricted for:				
Specific Revenues	578,616	-	578,616	-
Revenue Bonds	-	509,743	509,743	-
Endowments:				
Expendable	35,071	-	35,071	134,695
Nonexpendable	134,945	-	134,945	96,123
Unrestricted	1,880,118	4,155,901	6,036,019	4,479,095
Total Net Position	\$ 10,367,346	\$ 6,625,454	\$ 16,992,800	\$ 5,963,701

CITY OF HAWARDEN, IOWA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Public Safety	\$ 672,958	\$ 300,402	\$ -	\$ -
Public Works	588,679	67,226	253,021	3,440
Health and Social Services	293,492	-	-	-
Culture and Recreation	502,996	55,454	34,247	13,461
Community and Economic Development	291,111	-	-	121,781
General Government	100,403	69,591	-	-
Interest Expense	55,131	-	-	-
Total governmental activities	<u>2,504,770</u>	<u>492,673</u>	<u>287,268</u>	<u>138,682</u>
Business-Type Activities:				
Water Utility	377,570	280,332	-	-
WasteWater Treatment Utility	349,025	270,226	-	-
Electric Utility	2,009,660	2,417,467	-	-
Gas Utility	1,081,333	1,280,861	-	-
Solid Waste Utility	154,905	162,427	-	-
Telephone Utility	596,957	554,996	-	-
Cable/Internet Utility	516,417	548,867	-	-
Total Business-Type Activities:	<u>5,085,867</u>	<u>5,515,176</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 7,590,637</u>	<u>\$ 6,007,849</u>	<u>\$ 287,268</u>	<u>\$ 138,682</u>
Component Unit:				
Hawarden Regional Healthcare	<u>\$ 7,363,317</u>	<u>\$ 7,567,986</u>	<u>\$ 292,297</u>	<u>\$ 45,015</u>

General Revenues:
Property taxes
Local Option Sales Tax
Interest
Gain on Sale of Uncapitalized Assets
Miscellaneous
Interfund Transfers
Total general revenues and transfers
Change in net position
Net Position - beginning
Net Position - ending

Net (Expense) Revenue and Changes in Net Position			Component Unit Hawarden Regional Healthcare
Governmental Activities	Business-Type Activities	Total	
\$ (372,556)		\$ (372,556)	
(264,992)		(264,992)	
(293,492)		(293,492)	
(399,834)		(399,834)	
(169,330)		(169,330)	
(30,812)		(30,812)	
(55,131)		(55,131)	
(1,586,147)		(1,586,147)	
-	\$ (97,238)	(97,238)	
-	(78,799)	(78,799)	
-	407,807	407,807	
-	199,528	199,528	
-	7,522	7,522	
-	(41,962)	(41,962)	
-	32,450	32,450	
-	429,308	429,308	
(1,586,147)	429,308	(1,156,838)	
			\$ 541,981
1,040,182	-	1,040,182	-
292,197	-	292,197	-
11,304	26,127	37,431	6,214
1,306	-	1,306	-
14,116	84,913	99,029	-
559,000	(559,000)	-	-
1,918,105	(447,960)	1,470,144	6,214
331,958	(18,652)	313,306	548,195
10,035,388	6,544,106	16,579,494	5,415,506
\$ 10,367,346	\$ 6,525,454	\$ 16,892,800	\$ 5,963,701

CITY OF HAWARDEN, IOWA
BALANCE SHEET
Governmental Funds
JUNE 30, 2014

	General	TIF
Assets		
Cash and Cash Equivalents	\$ 172,151	\$ 425,032
Receivables (Net, where applicable, of allowance for uncollectibles)		
Accounts	118,919	-
Taxes	8,727	10,527
Subsequent Year Taxes	352,918	484,830
Accrued Interest	-	-
Special Assessments	-	-
Notes Receivable	-	1,500
Due from Other Funds	239,833	-
Due from Other Governmental Agencies	10,007	-
Prepaid Assets	60,182	-
Restricted Assets:		
Donor Restricted Investments	-	-
Total Assets	962,737	921,889
Liabilities, Deferred Inflows of Resources, and Fund Balances		
Liabilities:		
Accounts Payable	32,523	97
Accrued Wages and Compensated Absences	41,700	-
Accrued Expenses	113	-
Due to Other Funds	-	-
Advance from Other Funds	-	353,622
Total Liabilities	74,336	353,719
Deferred Inflows of Resources		
Unavailable Revenue- subsequent year taxes	352,918	484,830
Unavailable Revenue- special assessments	1,957	7,862
Total Deferred Inflows of Resources	354,875	492,692
Fund Balances (Deficits):		
Nonspendable:		
Prepaid expenditures	60,182	-
Library Endowment	-	-
Restricted for:		
Debt Service	-	-
Road Surface Repairs	-	-
Employee Benefits	-	-
Revolving Loan Fund	-	-
Library Endowment	-	-
Tax Increment Financing	-	75,478
Assigned for:		
Capital Improvement	-	-
Mapping	-	-
Capital Improvement and Facilities	-	-
Unassigned:		
	473,344	-
Total Fund Balances	533,526	75,478
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 962,737	\$ 921,889

Capital Project Street Project	Non-major Governmental Funds	Total Governmental Funds
\$ -	\$ 687,590	\$ 1,284,773
-	-	118,919
-	3,980	23,234
-	224,350	1,062,098
-	337	337
-	41,201	41,201
-	313,194	314,694
-	-	239,833
-	119,884	129,891
-	-	60,182
-	134,816	134,816
-	1,525,350	3,409,976
37,717	47,434	117,771
-	-	41,700
-	-	113
153,480	86,354	239,834
-	-	353,622
191,197	133,788	753,040
-	224,350	1,062,098
-	41,201	51,020
-	265,551	1,113,118
-	-	60,182
-	134,945	134,945
-	7,663	7,663
-	40,403	40,403
-	8,150	8,150
-	454,585	454,585
-	35,071	35,071
-	-	75,478
-	55,472	55,472
-	10,475	10,475
-	411,872	411,872
(191,197)	(32,624)	249,523
(191,197)	1,126,012	1,543,819
\$ -	\$ 1,525,350	\$ 3,409,976

CITY OF HAWARDEN, IOWA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2014

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Total Fund Balance - Governmental Funds (page 18)	\$ 1,543,819
Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds.	8,237,537
Internal service funds are used by management to acquire the capital equipment which is provided to user departments and are included in the statement of net position.	1,774,932
Deferred property tax revenues that provide current financial resources for governmental activities.	51,020
Accrued expenses from the balance sheet that require current financial resources for governmental activities.	(7,678)
Accrued compensated absences not reported on the modified accrual basis.	(33,529)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(1,188,627)
Other Post Employment Benefit Liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(10,128)</u>
Total Net Position - Governmental Activities (page 14)	<u><u>\$10,367,346</u></u>

CITY OF HAWARDEN, IOWA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Funds
For the Year Ended June 30, 2014

	General	TIF
Revenue:		
Taxes	\$ 353,939	\$ 462,989
Special Assessments	-	-
Licenses and Permits	25,599	-
Intergovernmental Revenue	57,301	-
Charges for Services	332,491	-
Fines and Forfeits	12,988	-
Contributions	8,528	-
Refunds/Reimbursements	14,097	-
Rental Income	43,992	-
Interest	1,705	1,617
Miscellaneous	5,258	-
Total Revenue	<u>855,898</u>	<u>464,606</u>
Expenditures:		
Public Safety	631,264	-
Public Works	401,991	-
Health and Social Services	-	-
Culture and Recreation	413,603	-
Community and Economic Development	74,781	61,026
General Government	87,133	-
Capital Projects	-	8,891
Debt Service	-	10,994
Total Expenditures	<u>1,608,772</u>	<u>80,911</u>
Excess (deficiency) of revenues over expenditures	<u>(752,874)</u>	<u>383,695</u>
Other financing sources (uses):		
Proceeds from Sale of Uncapitalized Assets	1,306	-
Transfers In	795,686	-
Transfers Out	(5,250)	(605,390)
Total other financing sources (uses)	<u>791,742</u>	<u>(605,390)</u>
Net Change in Fund Balance	38,868	(221,695)
Fund balances - beginning of year	<u>494,658</u>	<u>297,173</u>
Fund balances - end of year	<u>\$ 533,526</u>	<u>\$ 75,478</u>

Capital Projects Street Projects	Non-major Governmental Funds	Total Governmental Funds
\$ -	\$ 224,383	\$ 1,041,311
-	26,239	26,239
-	-	25,599
-	647,620	704,921
-	-	332,491
-	-	12,988
-	25,205	33,733
-	-	14,097
-	-	43,992
787	7,192	11,301
-	20	5,278
787	930,659	2,251,950
-	11,783	643,047
-	32,000	433,991
-	292,197	292,197
-	12,374	425,977
-	-	135,807
-	-	87,133
891,112	167,295	1,067,298
-	239,992	250,986
891,112	755,641	3,336,436
(890,325)	175,018	(1,084,486)
-	-	1,306
550,000	186,140	1,531,826
-	(362,186)	(972,826)
550,000	(176,046)	560,306
(340,325)	(1,028)	(524,180)
149,128	1,127,040	2,067,999
\$ (191,197)	\$ 1,126,012	\$ 1,543,819

CITY OF HAWARDEN, IOWA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 21) \$ (524,180)

Governmental funds report capital outlay, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlay exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 915,584	
Depreciation expense	<u>(275,506)</u>	640,078

Revenues reported in the funds that are not available to provide current financial resources (23,928)

Accrued interest expense that does not require current financial resources 1,788

Long-term accrual of compensated absences is not reported in the governmental funds as it does not consume current financial resources. The net change in the long-term compensated absences for the year was: (2,665)

Internal service funds are used by management to fund and maintain the City's insurance policies provided to user departments and for the maintenance, repair, and replacement of the City's automotive equipment and are included in the statement of net position. The net revenue of the internal service funds is reported with governmental activities. 48,399

Other Post Employment Benefits that do not require current financial resources. (1,602)

The repayment of the principal of bonded long-term debt consumes the current financial resources of governmental funds without affecting the net position. The statement of activities does not reflect the payment of principal on bonded long-term debt. The principal paid on bonded long-term debt during the current year was: 194,068

Change in net position of governmental activities (page 16) \$ 331,958

CITY OF HAWARDEN, IOWA
COMBINING STATEMENT OF NET POSITION
Proprietary Funds
June 30, 2014

	Business Type Activities			
	Water Utility	Waste Water Treatment Utility	Electric Utility	Gas Utility
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 35,376	\$ 80,423	\$ 1,186,586	\$ 443,900
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	25,323	22,848	74,260	38,367
Accrued Interest	-	2,642	1,713	-
Estimated Unbilled Usage	18,091	16,756	146,242	19,864
Special Assessments	9,693	-	-	-
Notes Receivable	-	-	-	-
Due from Other Funds	-	-	7,324	133,250
Investment in Joint Venture	-	-	811,346	-
Advances to Other Funds	-	111,901	71,721	-
Inventories	23,190	-	255,344	59,840
Prepaid Assets	6,608	5,651	23,203	12,530
Non-Current Assets:				
Restricted Assets:				
Cash and Cash Equivalents - Bond Reserve	-	-	518,110	-
Customer Deposits	-	-	-	63,120
Land	33,873	130	-	6
Construction in Progress	-	-	1,631,675	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	506,381	479,112	2,002,573	96,329
Total Assets	658,535	719,463	6,730,097	867,206
LIABILITIES				
Current Liabilities:				
Accounts Payable	2,394	7,976	119,101	21,033
Accrued Wages	2,765	1,683	13,903	2,149
Accrued Expenses	880	-	2,883	948
Due to Other Funds	7,324	-	144,899	-
Due to Other Governments	-	-	-	-
Accrued Postclosure Costs	-	-	-	-
Payables from Restricted Assets:				
Customer Deposits	-	-	-	63,120
Accrued Revenue Bond Interest	-	-	8,367	-
Noncurrent Liabilities:				
Due within one year:				
Revenue Bonds Payable	-	-	330,000	-
Compensated Absences	832	341	3,578	567
Due in more than one year:				
Revenue Bonds Payable	-	-	2,953,741	-
Compensated Absences	3,328	1,366	14,313	2,269
Total Liabilities	17,523	11,366	3,590,785	90,086
NET POSITION				
Net Investment in Capital Assets	540,254	479,242	350,507	96,335
Restricted for:				
Revenue Bonds	-	-	509,743	-
Unrestricted	100,758	228,855	2,279,062	680,785
Total Net Position	\$ 641,012	\$ 708,097	\$ 3,139,312	\$ 777,120

Business Type Activities				Governmental
Telephone Utility	Cable/Internet Utility	Nonmajor	Total	Activities Internal Service
		Solid Waste Utility		
\$ 338,601	\$ 280,969	\$ 62,598	\$ 2,428,453	\$ 806,242
23,435	13,866	12,961	211,060	-
-	-	-	4,355	-
-	-	10,339	211,292	-
-	-	-	9,693	-
-	-	-	-	98,355
-	-	-	140,574	11,649
-	-	33,776	845,122	-
-	-	-	183,622	170,000
109,249	63,012	-	510,635	-
7,332	5,206	830	61,361	-
-	-	-	518,110	-
5,146	-	-	68,266	-
-	-	22,085	56,094	-
-	-	-	1,631,675	-
180,066	191,321	-	3,455,782	689,686
663,829	554,374	142,589	10,336,094	1,775,932
16,002	32,245	10,479	209,230	1,000
4,966	2,253	-	27,719	-
500	744	8	5,963	-
-	-	-	152,223	-
16,622	-	-	16,622	-
-	-	680	680	-
5,146	-	-	68,266	-
-	-	-	8,367	-
-	-	-	330,000	-
1,680	567	-	7,565	-
-	-	-	2,953,741	-
6,722	2,266	-	30,264	-
51,638	38,075	11,167	3,810,640	1,000
180,066	191,321	22,085	1,859,810	689,686
-	-	-	509,743	-
432,125	324,978	109,338	4,155,901	1,065,246
\$ 612,191	\$ 518,299	\$ 131,423	\$ 6,525,454	\$ 1,774,932

CITY OF HAWARDEN, IOWA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Proprietary Funds
For the Year Ended June 30, 2014

	Business Type Activities			
	Water Utility	Waste Water Treatment Utility	Electric Utility	Gas Utility
Operating Revenues:				
Charges for Services	\$ 280,332	\$ 270,226	\$ 2,417,467	\$ 1,280,861
Total Operating Revenue	<u>280,332</u>	<u>270,226</u>	<u>2,417,467</u>	<u>1,280,861</u>
Operating Expenses:				
Resale Purchases	-	-	1,261,164	780,548
Employee Services	83,695	60,480	224,123	64,664
Contract Services	107,246	104,460	180,310	155,237
Supplies	43,349	27,605	65,498	36,624
Repairs and Improvements	74,737	65,587	25,946	12,268
Utilities	15,340	40,479	-	-
Miscellaneous	789	125	14,160	9,359
Depreciation	52,414	50,289	135,445	22,633
Total Operating Expenses	<u>377,570</u>	<u>349,025</u>	<u>1,906,646</u>	<u>1,081,333</u>
Operating Income (Loss)	(97,238)	(78,799)	510,821	199,528
Non-Operating Income (Expense):				
Interest Income	890	6,263	14,153	1,215
Other Non-operating Revenues (Expenses)	1,669	736	78,873	4,554
Interest Expense	-	-	(103,014)	-
Total Non-Operating Income (Expenses)	<u>2,559</u>	<u>6,999</u>	<u>(9,988)</u>	<u>5,769</u>
Income (Loss) Before Transfers	(94,679)	(71,800)	500,833	205,297
Transfers Out	<u>(7,000)</u>	<u>(7,000)</u>	<u>(200,000)</u>	<u>(70,000)</u>
Change in Net Position	(101,679)	(78,800)	300,833	135,297
Net Position - Beginning	742,691	786,897	2,838,479	641,823
Net Position - Ending	<u>\$ 641,012</u>	<u>\$ 708,097</u>	<u>\$ 3,139,312</u>	<u>\$ 777,120</u>

Business Type Activities				Governmental Activities Internal Service
Telephone Utility	Cable/Internet Utility	Nonmajor Solid Waste Utility	Total	
\$ 554,996	\$ 548,867	\$ 162,427	\$ 5,515,176	\$ 179,196
554,996	548,867	162,427	5,515,176	179,196
195,459	298,495	139,294	2,674,960	-
72,862	60,484	-	566,308	-
244,296	103,794	15,611	910,954	-
15,906	10,272	-	199,254	-
25,822	25,371	-	229,731	1,000
15,249	-	-	71,068	-
17,291	2,749	-	44,473	-
10,072	15,252	-	286,105	136,922
596,957	516,417	154,905	4,982,853	137,922
(41,961)	32,450	7,522	532,323	41,274
1,915	1,257	434	26,127	7,125
(870)	(736)	686	84,912	-
-	-	-	(103,014)	-
1,045	521	1,120	8,025	7,125
(40,916)	32,971	8,642	540,348	48,399
(30,000)	(70,000)	(175,000)	(559,000)	-
(70,916)	(37,029)	(166,358)	(18,652)	48,399
683,107	553,328	297,781	6,544,106	1,726,533
\$ 612,191	\$ 516,299	\$ 131,423	\$ 6,525,454	\$ 1,774,932

CITY OF HAWARDEN, IOWA
COMBINING STATEMENT OF CASH FLOWS
Proprietary Funds
For the Year Ended June 30, 2014

	Business Type Activities			
	Water Utility	Waste Water Treatment Utility	Electric Utility	Gas Utility
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$ 276,557	\$ 266,641	\$ 2,387,046	\$ 1,290,909
Cash Received from Interfund Services Provided	-	-	-	-
Cash Paid to Suppliers for Goods and Services	(206,524)	(233,950)	(1,597,521)	(993,947)
Cash Paid to Employees for Services	(83,084)	(60,360)	(219,507)	(64,217)
Other Nonoperating Income (Expense)	1,669	737	25,540	4,555
Net Cash Provided (Used) by Operating Activities	(11,382)	(26,932)	595,558	237,300
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and Construction of Capital Assets	-	-	(446,097)	-
Special Assessment Receipts	1,371	-	-	-
Principal Paid on Notes and Bonds	-	-	(430,000)	-
Interest Paid on Notes and Bonds	-	-	(110,523)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	1,371	-	(986,620)	-
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Operating Transfers to Other Funds	(7,000)	(7,000)	(200,000)	(70,000)
Advances to Other Funds	-	13,028	28,222	-
Due From (To) Other Funds	-	-	-	-
Net Cash Provided (Used) for Non-Capital Financing Activities	(7,000)	6,028	(171,778)	(70,000)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest and Dividends on Investments	887	6,593	14,964	1,216
Net Cash Provided for Investing Activities	887	6,593	14,964	1,216
Net Increase (Decrease) in Cash and Cash Equivalents	(16,124)	(14,311)	(547,876)	168,516
Cash and Cash Equivalents at Beginning of Year	51,500	94,734	2,252,572	338,504
Cash and Cash Equivalents at End of Year	\$ 35,376	\$ 80,423	\$ 1,704,696	\$ 507,020

Business Type Activities				Governmental
Telephone Utility	Cable/Internet Utility	Nonmajor Solid Waste Utility	Total	Activities Internal Service
\$ 560,471	\$ 538,301	\$ 161,377	\$ 5,481,302	\$ -
(528,243)	(444,285)	(154,640)	(4,159,110)	179,196
(71,522)	(59,871)	-	(558,561)	-
(869)	(736)	685	31,581	-
(40,163)	33,409	7,422	795,212	179,196
(33,218)	-	-	(479,315)	(134,049)
-	-	-	1,371	-
-	-	-	(430,000)	-
-	-	-	(110,523)	-
(33,218)	-	-	(1,018,467)	(134,049)
(30,000)	(70,000)	(175,000)	(559,000)	-
			41,250	(145,000)
			-	10,833
(30,000)	(70,000)	(175,000)	(517,750)	(134,167)
1,915	1,258	434	27,267	7,125
1,915	1,258	434	27,267	7,125
(101,466)	(35,333)	(167,144)	(713,738)	(81,895)
445,213	316,302	229,742	3,728,567	888,137
\$ 343,747	\$ 280,969	\$ 62,598	\$ 3,014,829	\$ 806,242

(Continued)

CITY OF HAWARDEN, IOWA
COMBINING STATEMENT OF CASH FLOWS (Continued)
Proprietary Funds
For the Year Ended June 30, 2014

	Business Type Activities			
	Water Utility	Waste Water Treatment Utility	Electric Utility	Gas Utility
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$ (97,238)	\$ (78,799)	\$ 510,821	\$ 199,528
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	52,414	50,289	135,445	22,633
Amortization	-	-	7,222	-
Miscellaneous Non-Operating Income	1,669	737	25,540	4,555
Miscellaneous Non-Cash Expense	31,706			
(Increase) Decrease in Assets:				
Accounts Receivable	(5,588)	(3,688)	(32,155)	2,665
Estimated Unbilled Usage	1,812	104	1,733	(935)
Inventories	1,850	-	(9,022)	3,732
Prepaid Expenses	230	30	(124)	(5,849)
Increase (Decrease) in Liabilities				
Accounts Payable	957	4,301	(21,315)	1,775
Accrued Wages	525	211	2,636	385
Accrued Compensated Absences	84	(92)	1,980	63
Accrued Expenses	197	(25)	(27,204)	430
Customer Deposits	-	-	-	8,318
Total Adjustments	85,856	51,867	84,736	37,772
Net Cash Provided (Used) by Operating Activities	\$ (11,382)	\$ (26,932)	\$ 595,557	\$ 237,300

Reconciliation of Cash and Cash Equivalents
to the Balance Sheet:

Cash and Cash Equivalents	\$ 35,376	\$ 80,423	\$ 1,186,586	\$ 443,900
Customer Deposits	-	-	-	63,120
Restricted Cash and Cash Equivalents	-	-	518,110	-
	\$ 35,376	\$ 80,423	\$ 1,704,696	\$ 507,020

Business Type Activities				Governmental
Telephone Utility	Cable/Internet Utility	Nonmajor Solid Waste Utility	Total	Activities Internal Service
\$ (41,961)	\$ 32,450	\$ 7,522	\$ 532,323	\$ 41,274
10,072	15,252	-	286,105	136,922
-	-	-	7,222	-
(869)	(736)	685	31,581	-
			31,706	
5,018	(10,567)	(553)	(44,868)	-
-	-	(496)	2,218	-
(4,478)	(6,011)	-	(13,929)	-
(177)	(315)	(51)	(6,256)	-
(9,736)	4,679	992	(18,347)	1,000
981	550		5,288	-
359	63		2,457	-
172	(1,956)	(676)	(29,062)	-
456	-		8,774	-
1,798	959	(99)	262,889	137,922
\$ (40,163)	\$ 33,409	\$ 7,423	\$ 795,212	\$ 179,196

\$ 338,601	\$ 280,969	\$ 62,598	\$ 2,428,453	\$ 806,242
5,146	-	-	68,266	-
-	-	-	518,110	-
\$ 343,747	\$ 280,969	\$ 62,598	\$ 3,014,829	\$ 806,242

CITY OF HAWARDEN, IOWA
STATEMENT OF FIDUCIARY NET POSITION
Fiduciary Funds
June 30, 2014

	Pension Trust Fund		Agency Funds	Total
	Police Retirement Fund			
ASSETS				
Cash and Pooled Investments	\$	3,767	\$ 23,523	\$ 27,290
Total Assets		3,767	23,523	27,290
LIABILITIES				
Accounts Payable		482	50	532
Due to Other Governments		-	23,473	23,473
Total Liabilities		482	23,523	24,005
NET POSITION				
Held in Trust for Pension Benefits		3,285	-	3,285
Total Net Position	\$	3,285	\$ -	\$ 3,285

CITY OF HAWARDEN, IOWA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Fiduciary Funds
For the Year Ended June 30, 2014

	Pension Trust Fund Police Retirement Fund
ADDITIONS	
Contributions:	
Employer	\$ 11,783
Total Contributions	11,783
Investment Income:	
Interest, Dividends and Market Gain	13
Net Investment Income	13
Total Additions	11,796
DEDUCTIONS	
Pension Benefits	11,235
Miscellaneous Expenses	600
Total Deductions	11,835
Net (Decrease)	(39)
Net Position-- Beginning of Period	3,324
Net Position -- End of Period	\$ 3,285

CITY OF HAWARDEN, IOWA
Notes to Financial Statements
June 30, 2014

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Hawarden is a political subdivision of the State of Iowa located in Sioux County. It was first incorporated in 1887 and operates under the Mayor-Council form of government with the Mayor and Council elected on a non-partisan basis. The City administers the following programs under its charter: public safety, public works, health and social services, culture and recreation, community and economic development and general government. It also provides water, sewer, electric, sanitation utilities, telephone and cable/internet services.

The financial statements of the City of Hawarden have been prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the City of Hawarden has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City of Hawarden (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its financial relationship with the City. Complete financial statements of the individual component unit, which issued separate financial statements as noted below, can be obtained from their administrative offices.

Discretely Presented Component Unit – Hawarden Regional Healthcare is organized under Chapter 392 of the Code of Iowa and governed by a five member Board of Trustees elected for four year terms. The City of Hawarden annually provides significant operating subsidies to the Hospital. In accordance with criteria set forth by the Governmental Accounting Standards Board. The Hospital meets the definition of a component unit which should be discretely presented. The Hospital is accounted for using enterprise fund accounting in these financial statements. Complete financial statements are on file at the hospital.

Jointly Governed Organizations – The City also participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following boards and commissions: Sioux County Conference Board, Sioux County Emergency Management Commission and Sioux County Joint E911 Service Board.

CITY OF HAWARDEN, IOWA
Notes to Financial Statements
June 30, 2014

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position (previously referred to as net assets) and the Statement of Activities report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Net Position presents the City's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

The City does not allocate indirect costs. Certain expenses of the City are accounted for through the internal service fund on a cost-reimbursement basis.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental, the City's capital equipment internal service fund, and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reported the following major governmental funds.

The General Fund is the general operating fund of the City. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

CITY OF HAWARDEN, IOWA
Notes to Financial Statements
June 30, 2014

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

The Special Revenue Tax Increment Financing Fund is used to account for funds provided to private companies for economic development and related tax revenues from the tax increment financing district.

The Capital Project Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation of a municipally owned water system, which provides services to the residents of the City.

The Waste Water Fund accounts for the operation of a municipally owned sewage collection and treatment facility, which provides services to the residents of the City.

The Electric Fund accounts for the operation of a municipally owned electric system, which distributes electrical power to the residents of the City.

The Gas Fund accounts for the operation of a municipally owned natural gas system, which distributes natural gas to the residents of the City.

The Telephone Fund accounts for the operation of a municipally owned telephone system, providing telephone service to residents of the City.

The Cable/Internet Fund accounts for the operation of a municipally owned cable/internet system which provides cable/internet service to residents of the City.

Internal Service Fund – The capital equipment fund is used to account for the financing of goods to other departments of the City on a cost-recovery basis. This fund is presented in the proprietary fund financial statements. Because the principal users of the capital equipment fund are the City's governmental activities, the financial statements of the fund are consolidated into the governmental column when presented in the government-wide financial statements.

Fiduciary Fund Types – These funds account for assets held by the government in a trustees capacity or as an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement.

- 1) Pension Trust Fund – The Police Retirement Fund represents the resources accumulated to fund police retirements. These funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting, so that revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.
- 2) Agency Funds – The Payroll Clearing Fund acts as a clearing mechanism for payroll which is shared by various funds of the City. The Flex Spending Fund is used to account for funds withheld from the checks of city employees for qualified expenses. The Community Projects Fund accounts for funds received by various organizations within the community and held until a specific project is completed by those organizations.

CITY OF HAWARDEN, IOWA
Notes to Financial Statements
June 30, 2014

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers property taxes to be available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Property tax, local option sales tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City maintains its financial records on the cash basis. The annual financial statements of the City are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Pooled Cash, Investments and Cash Equivalents – The cash balances of most City funds are pooled and invested in money market checking accounts. Interest earned on those investments is recorded in the General Fund unless otherwise provided by law. Other investments held by specific funds consist of non-negotiable certificates of deposit which are stated at cost or U.S. government securities stated at fair value determined by quoted market prices or in the Iowa Public Agency Investment trust stated at fair value determined by current share prices.

CITY OF HAWARDEN, IOWA
Notes to Financial Statements
June 30, 2014

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

For the purposes of the statement of cash flows, all short-term cash investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable, Including Tax Increment Financing – Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represent taxes collected by the County but not remitted to the City at June 30, 2014 and unpaid taxes. The succeeding year property tax receivable represent taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is presented as a deferred inflow of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects tax asking contained in the budget certified to the County Board of Supervisors March, 2013.

Customer Accounts and Unbilled Usage – Accounts receivable are recorded at the time the service is billed, net of an allowance for doubtful accounts of \$31,344 at June 30, 2014. Unbilled usage, recorded in the Enterprise Funds for service consumed between periodic scheduled billing dates, is estimated and is recognized as revenue in the period in which the service is provided.

Also, the Hawarden Regional Healthcare's accounts receivable consists of patient receivables net of allowances for estimated third-party contractual adjustments and uncollectibles of \$595,310 at June 30, 2014.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Due From and Due to Other Funds – During the course of its operations, the City has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2014, the balance of interfund amounts payable or receivable have been recorded in the fund financial statements.

CITY OF HAWARDEN, IOWA
Notes to Financial Statements
June 30, 2014

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Advances From and To Other Funds – Advances are long-term borrowings between funds which are repaid over time plus interest.

Inventories – Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories in the Enterprise Funds consist of material and supplies. Inventories are recorded as expenses when consumed rather than when purchased.

Restricted Assets – Proceeds from debt and funds set aside for payment of enterprise fund revenue bonds are classified as restricted assets since their use is limited by applicable bond indentures. Customer deposits are monies paid by customers and held by the City until future refunding or application to an unpaid account balance. The principal portion of Donor Restricted Endowments are also classified as restricted assets, as only the interest earned on these assets may be expended.

Capital Assets – Capital assets, which include property, equipment and vehicles and infrastructure assets (e.g. roads, curbs, gutters) are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extending asset lives are not capitalized. Roads have been capitalized using estimated historical cost beginning in 1980 as required by GASB 34. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of the following thresholds.

<u>Asset Class</u>	<u>Amount</u>
General Fixed Assets	\$ 2,000
Utility Fixed Assets	5,000
Infrastructure	50,000

Capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	30 – 100 years
Improvements other than buildings	15 – 40 years
Vehicles	5 – 10 years
Equipment	5 – 20 years
Infrastructure	50 – 100 years

Interest cost for capital asset construction within enterprise funds are capitalized. Interest costs incurred during fiscal year 2014 were \$111,958 of which \$8,943 is capitalized.

CITY OF HAWARDEN, IOWA
Notes to Financial Statements
June 30, 2014

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Deferred Outflow/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City's component unit, Hawarden Regional Healthcare, has intangible assets that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflow of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item that qualifies for reporting in this category which is unavailable revenue. The governmental activities in the government-wide statements and the governmental funds report unavailable revenues from subsequent year property taxes. The governmental funds also report unavailable revenues from delinquent property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Compensated Absences – City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded for this time and any related benefits when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activities column in the Statement of Net Position and the proprietary fund Statement of Net Position.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

CITY OF HAWARDEN, IOWA
Notes to Financial Statements
June 30, 2014

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City Council through ordinance or resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned – Amounts the City intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed.

Unassigned – All amounts not included in other spendable classifications.

Budgets and Budgetary Accounting – The budgetary comparison and related disclosures are reported as Required Supplementary Information. Expenditures for the year ended June 30, 2014 exceeded amounts budgeted in the debt service function.

Note 2 - POOLED CASH, INVESTMENTS AND CASH EQUIVALENTS

The City's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. There were no investments held at year end.

Note 3 - JOINT VENTURES

MBMECA - The City is a participant in the Missouri Basin Municipal Electric Cooperative Association, a joint venture for the construction and maintenance of power lines from the Northwest Iowa Power Cooperative. The construction of the lines is accomplished by NIPCO and there are no actual dedicated lines, but rather an agreement which guarantees the municipalities the right to draw power over the lines at a raw power cost without transmission charges. The City owns an 11.75 percent share of the venture with twelve other cities sharing in the ownership at varying percentages. The City's investment in the joint venture is accounted for on the equity method in the Electric Fund. The net income reported on the financial statements is reported on the City's fiscal year, not on the Cooperative's year; therefore, the summary data presented below does not agree with the financial statements.

CITY OF HAWARDEN, IOWA
Notes to Financial Statements
June 30, 2014

Note 3 - JOINT VENTURES

Summary financial information of the joint venture for the year ended December 31, 2013 follows:

	<u>Total</u>	<u>City Share</u>
Assets	\$ 9,419,051	\$1,106,738
Liabilities	643,583	75,621
Equity	8,775,468	1,031,117
	<u>9,419,051</u>	<u>1,106,738</u>
Revenues	1,747,850	205,372
Expenses	1,357,811	159,542
Net Increase in Equity	<u>\$ 390,039</u>	<u>\$ 45,830</u>

The joint venture has no outstanding debt. Complete financial statements can be obtained directly from MBMECA.

Northwest Iowa Solid Waste - In 1991 the City contributed \$33,776 capital to Northwest Iowa Area Solid Waste Agency for membership in the Agency. Membership provides the City with use of solid waste facilities. In the event of the City's withdrawal from the Agency or dissolution, the City is entitled to the lower of its capital contribution or a share of the Agency's assets based on the City's prorata share of contributions by all municipalities. Complete financial statements can be obtained directly from Northwest Iowa Solid Waste.

CITY OF HAWARDEN, IOWA
Notes to Financial Statements
June 30, 2014

Note 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Primary Government				
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 363,031	\$ -	\$ -	\$ 363,031
Construction in Progress-infrastructure	28,836	864,532	-	893,368
Total capital assets not being depreciated	391,867	864,532	-	1,256,399
Capital assets being depreciated:				
Buildings	4,895,012	-	-	4,985,012
Improvements other than buildings	1,356,608	-	-	1,356,608
Equipment and vehicles	2,955,946	157,215	39,463	3,073,698
Infrastructure, road network	5,650,575	41,108	-	5,691,683
Total capital assets being depreciated	14,858,141	198,323	39,463	15,017,001
Less: Accumulated Depreciation for:				
Buildings	2,422,133	105,194	-	2,527,327
Improvements other than buildings	618,222	37,014	-	655,236
Equipment and vehicles	2,181,949	154,575	26,241	2,310,283
Infrastructure, road network	1,737,685	115,646	-	1,853,331
Total Accumulated Depreciation	6,959,989	412,428	26,241	7,346,177
Total capital assets being depreciated, net	7,898,152	(214,105)	13,222	7,670,824
Governmental activities capital assets, net	\$ 8,290,019	\$ 650,427	\$ 13,222	\$ 8,927,223
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 56,094	\$ -	\$ -	\$ 56,094
Construction in Progress	2,270,231	441,592	1,080,148	1,631,675
Total capital assets not being depreciated	2,326,325	441,592	1,080,148	1,687,769
Capital assets being depreciated:				
Buildings	142,376	-	-	142,376
Utility Plant	13,828,366	1,081,662	-	14,910,028
Total capital assets being depreciated	13,970,742	1,081,662	-	15,052,404
Less: Accumulated Depreciation for:				
Buildings	102,291	3,276	-	105,567
Utility Plant	11,208,227	282,828	-	11,491,055
Total Accumulated Depreciation	11,310,518	286,104	-	11,596,622
Total capital assets being depreciated, net	2,660,224	795,557	-	3,455,782
Business-Type activities capital assets, net	\$ 4,986,549	\$ 1,237,150	\$ -	\$ 5,143,551

Note: Investment in NW Iowa Solid Waste is to be carried forward at the amount of \$33,776.

CITY OF HAWARDEN, IOWA
Notes to Financial Statements
June 30, 2014

Note 4 -CAPITAL ASSETS – (Continued)

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

Culture & Recreation	\$ 77,842
General Government	147,809
Health & Social Services	1,295
Public Safety	38,056
Public Works	147,425
Total depreciation expense – governmental activities	<u>\$ 412,428</u>

The governmental depreciation expense amount shown above includes \$136,922 of depreciation expense from the City's internal service fund which is recorded as a governmental activity on the government-wide statements.

Business-Type Activities:

Cable/Internet	\$ 15,252
Electric	135,445
Gas	22,633
Telephone	10,072
Waste Water	50,289
Water	52,414
Total depreciation expense – business type activities	<u>\$ 286,105</u>

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Discretely presented component unit				
Capital assets not being depreciated:				
Land	\$ 172,313	\$ -	\$ -	\$ 172,313
Construction-in-Progress	258,009	870,666	660,460	486,215
Total capital assets, not being depreciated	<u>430,322</u>	<u>870,666</u>	<u>660,460</u>	<u>640,528</u>
Capital assets being depreciated:				
Land Improvements	54,997	-	-	54,997
Hospital	1,556,820	-	-	1,556,820
Fixed Equipment	586,705	33,317	-	620,022
Major Moveable Equipment	2,112,871	390,112	615,755	1,877,228
Electronic health record-non-meaningful use	5,473	-	-	5,473
Electronic health record-meaningful use	132,540	583,055	89,102	626,493
Total capital assets being depreciated	<u>4,449,405</u>	<u>1,006,484</u>	<u>704,857</u>	<u>4,751,033</u>
Less: Accumulated Depreciation for:				
Land Improvements	35,816	1,794	-	37,610
Hospital	1,199,176	36,703	-	1,235,879
Fixed Equipment	438,171	26,543	-	464,714
Major Moveable Equipment	1,873,167	149,467	607,100	1,415,534
Electronic health record-non-meaningful use	18,040	912	12,325	6,627
Electronic health record-meaningful use	48,034	69,690	58,783	58,941
Total Accumulated Depreciation	<u>3,612,404</u>	<u>285,109</u>	<u>678,208</u>	<u>3,219,305</u>
Total capital assets being depreciated, net	<u>837,002</u>	<u>721,375</u>	<u>26,649</u>	<u>1,531,728</u>
Total capital assets, net	<u>\$ 1,267,324</u>	<u>\$ 1,592,041</u>	<u>\$ 687,109</u>	<u>\$ 2,172,256</u>

Total depreciation expense – discretely presented component unit \$ 285,109

CITY OF HAWARDEN, IOWA
Notes to Financial Statements
June 30, 2014

Note 4 - CAPITAL ASSETS – (Continued)

Reconciliation of Net Investment in Capital Assets:

	Governmental Activities	Business-Type Activities	Component Unit
Land	\$ 363,031	\$ 56,094	\$ 172,313
Construction-in-Progress	893,368	1,631,675	468,215
Capital Assets (net of accumulated depreciation)	7,670,824	3,455,782	1,531,728
Less:			
General Obligation Bonds Payable	1,188,627	-	-
Revenue Bonds	-	3,283,741	-
Note Payable (Asset Purchase Agreement)	-	-	918,468
	<u>\$ 7,738,596</u>	<u>\$ 1,859,810</u>	<u>\$ 1,253,788</u>

Note 5 - CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014	Due Within One Year
Governmental activities:					
Compensated Absences	\$ 30,864	\$ 8,839	\$ 6,174	\$ 33,529	\$ 6,706
General Obligation Bonds/Notes	957,598	-	114,137	843,461	116,206
General Obligation Refunding Note	425,098	-	79,932	345,166	82,550
Other Post Employment Benefit	8,526	1,602	-	10,128	-
	<u>\$ 1,422,086</u>	<u>\$ 10,441</u>	<u>\$ 200,243</u>	<u>\$ 1,232,284</u>	<u>\$ 205,462</u>

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014	Due Within One Year
Business type activities:					
Revenue notes	\$ 3,706,519	\$ -	\$ 422,778	\$ 3,283,741	\$ 330,000
Compensated Absences	35,372	9,233	6,776	37,829	7,565
	<u>\$ 3,741,891</u>	<u>\$ 9,233</u>	<u>\$ 429,554</u>	<u>\$ 3,321,570</u>	<u>\$ 337,565</u>

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014	Due Within One Year
Discretely Presented Component Unit:					
Note Payable (Asset Purchase Agreement)	\$ 775,000	\$ -	\$ 75,000	\$ 700,000	\$ 100,000
Capital Lease Obligation	-	264,750	46,282	218,468	55,538
	<u>\$ 775,000</u>	<u>\$ 264,750</u>	<u>\$ 121,282</u>	<u>\$ 918,468</u>	<u>\$ 155,538</u>

CITY OF HAWARDEN, IOWA
Notes to Financial Statements
June 30, 2014

Note 5 - CHANGES IN LONG-TERM LIABILITIES – (Continued)

General Obligation Bonds/Notes

Three issues of unmatured general obligation bonds/notes, totaling \$1,188,627 are outstanding at June 30, 2014. General obligation bonds/notes bear interest at rates ranging from 3.20-4.25% and mature in varying annual amounts, ranging from \$50,000 to \$90,000, with the final maturities due in the year ending June 1, 2022.

Details of general obligation bonds/notes payable at June 30, 2014 are as follows:

Governmental Activities:	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2014
General obligation bonds/notes:						
General Corporate Purpose	August 20, 2009	4.25%	June 1, 2019	\$ 50,000	\$ 500,000	\$ 250,000
General Corporate Purpose	November 30, 2011	3.20%	June 1, 2022	84,627	750,000	593,461
General Obligation Refunding Note	June 1, 2010	3.25%	June 1, 2018	74,000-89,500	650,000	345,166
						<u>\$ 1,188,627</u>

A summary of the annual general obligation bond/note principal and interest requirements to maturity by year is as follows:

Year Ending June 30	Principal	Interest	Total
2015	\$ 198,756	\$ 39,113	\$ 237,869
2016	203,598	32,146	235,744
2017	208,595	25,024	233,619
2018	212,132	17,738	229,870
2019	240,375	13,639	254,014
2020-2022	125,170	11,095	136,265
Total	<u>\$ 1,188,627</u>	<u>\$ 138,754</u>	<u>\$ 1,327,381</u>

Revenue Notes

The City has pledged income derived from the acquired or constructed asset to pay debt service.

The City issued \$4,615,000 of Electric Revenue Improvement and Refunding Bonds on November 30, 2011. Proceeds were used to refund Series 2004, Electric Revenue Refunding, which reduced future debt service payments. The transaction resulted in an economic gain of \$95,989 and a reduction of \$99,095 in future debt service payments. The remaining proceeds will be used to finance the Electric Utility Underground Project.

There are a number of limitations and restrictions contained in the revenue bond indenture summary. The reserve requirements are as follows:

Enterprise	Type of Account	Required Balance June 30, 2014	Actual Balance June 30, 2014
Electric	Electric Revenue Sinking Fund	\$ 35,867	\$ 35,867
Electric	Bond and Interest Reserve	336,000	382,243
Electric	Bond Improvement	100,000	100,000

These amounts are classified as restricted assets on the combined balance sheet.

CITY OF HAWARDEN, IOWA
Notes to Financial Statements
June 30, 2014

Note 5 - CHANGES IN LONG-TERM LIABILITIES – (Continued)

Details of revenue notes payable at June 30, 2014 are as follows:

Business Type Activities	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2014
Revenue Notes: Electric Improvement and Refunding	Nov. 30, 2011	2.55-4.3%	June 1, 2031	\$ 155,000-430,000	\$ 4,615,000	<u>\$ 3,360,000</u>

The revenue notes outstanding on the Statement of Net Position is shown less bond discounts of \$76,259.

A summary of the annual revenue note principal and interest requirements to maturity is as follows:

Year Ending June 30	Principal	Interest	Total
2015	\$ 330,000	\$ 100,400	\$ 430,400
2016	155,000	95,945	250,945
2017	155,000	93,465	248,465
2018	160,000	90,598	250,598
2019	165,000	87,238	252,238
2020-2024	880,000	368,935	1,248,935
2025-2029	1,045,000	214,120	1,259,120
2030-2031	470,000	28,285	498,285
Total	<u>\$ 3,360,000</u>	<u>\$ 1,078,986</u>	<u>\$ 4,438,986</u>

Discretely presented component unit:

Note Payable (Asset Purchase Agreement)

On May 8, 2013, the Hospital entered into an asset purchase agreement with Therapeutic Health Services, Inc (THS), a provider of physical and occupational health services and home health services in Northwest Iowa. The agreement was for the purchase of all contracts and contract rights of THS, equipment, fixtures, office equipment owned and utilized by THS in connection with the aforementioned contracts, inventory and therapy supplies used in connection with the contracts, and service records, marketing material and agreements relating to the acquired contracts and medical practice. The purchase agreement was for \$850,000, to be financed interest free with the seller, with the first payment of \$75,000 paid upon the closing of the agreement.

Lease Obligation Note

During 2014, the Hospital entered into a capital lease obligation at an imputed interest rate of .99%. Monthly payments of \$4,628 are to be made through August 2014, and are collateralized by leased equipment with a cost of \$264,750

CITY OF HAWARDEN, IOWA
Notes to Financial Statements
June 30, 2014

Note 5 - CHANGES IN LONG-TERM LIABILITIES – (Continued)

Subsequent payments are due on January 10 of each year for varying amounts. The final payment in the amount of \$150,000 is due on January 10, 2020.

Scheduled principal repayments on long-term debt for each of the next five years are as follows:

2015	\$ 100,000
2016	100,000
2017	100,000
2018	100,000
2019	150,000
Thereafter	150,000
	\$ 700,000

Note 6 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Tax Increment Financing Revenue	\$ 81,500
	Non-Major Governmental	339,186
	Enterprise:	
	Electric	190,000
	Gas	60,000
	Telephone	30,000
	Cable/Internet	70,000
	Non-Major Enterprise	25,000
		795,686
Capital Projects - Street	Tax Increment Financing	400,000
	Enterprise:	
	Non-Major Enterprise	150,000
		550,000
Non-Major Funds	General	5,250
	Special Revenue:	
	Tax Increment Financing Revenue	123,890
	Non-Major Governmental	23,000
	Enterprise:	
	Water	7,000
	Electric	10,000
	Gas	10,000
	Wastewater	7,000
		186,140
Total Transfers		\$ 1,531,826

Transfers are used to move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources, as well as to move resources from the business-type activities to governmental funds to help finance general governmental operations.

CITY OF HAWARDEN, IOWA
Notes to Financial Statements
June 30, 2014

Note 7 – INTERNAL BALANCES

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds have not been paid or received as of June 30, 2014, balances of interfund amounts payable or receivable have been recorded as "due to other funds" and "due from other funds", respectively. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as interfund balances.

The detail of short-term interfund receivables and payables at June 30, 2014 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental: General	Governmental: Capital Project	\$ 239,833
Enterprise: Gas	Enterprise: Electric	133,250
Electric	Water	7,324
Internal Service: Capital Equipment	Enterprise: Electric	11,649
		<u>\$ 392,056</u>

The detail of long-term advances to and from other funds at June 30, 2014 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Enterprise: Electric	Special Revenue: Tax Increment Financing	\$ 71,721
Wastewater	Tax Increment Financing	111,901
Internal Service	Tax Increment Financing	170,000
		<u>\$ 353,622</u>

Note 8 - PENSION AND RETIREMENT FUND COMMITMENTS

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute plan to members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of annual covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate.

Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$102,670, \$99,343 and \$96,541, respectively, equal to the required contributions for each year.

CITY OF HAWARDEN, IOWA
Notes to Financial Statements
June 30, 2014

Note 8 - PENSION AND RETIREMENT FUND COMMITMENTS – (Continued)

In addition Hawarden Regional Healthcare contributed the following amounts for the year ended June 30, 2014, 2013 and 2012, respectively, \$258,473, \$190,450 and \$185,618. These amounts also equal the required annual contributions.

Police Pension - The City maintains a single-employer, defined benefit pension plan (police retirement system), which was organized under Chapter 410 of the Code of Iowa. Police personnel who were in the employ of the City prior to July 1, 1971, are eligible to participate in the plan. Any eligible participant may be entitled to benefits if such member has served 22 years or more and shall have reached the age of 50 years; or who shall, while a member of the department, become mentally or physically permanently disabled while performing his duties. The salary benefit is equal to one-half the amount of salary received by him monthly at the date he actually retires from the department. Benefits are increased subsequent to retirement by 50% of any increase in the pension benefits for the rank at which the member retired. In the event of the death of a retired participant, the benefit paid to a surviving spouse is reduced to 50% of the retiree's benefit. Presently, the City has only one individual who qualifies as a participant because of the employment of their spouse prior to July 1, 1971. The payroll for employees covered by the system was \$-0- and the City's total payroll for the police department was \$220,868.

The amount shown below as the Actuarial Accrued Liability is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. This measure is the actuarial present value of credited projected benefits and is intended to (1) help users assess the system's funding status on a going-concern basis, (2) assess progress being made in accumulating sufficient assets to pay benefits when due, and (3) allow for comparisons among public employee retirement plans. The net pension obligation was determined as part of an actuarial valuation of the plan as of July 1, 2014.

<u>Net Pension Obligation</u>	
Retirees and Beneficiaries Currently Receiving Benefits.....	\$ 91,588
Net Position Available for Benefits at Market.....	-

There were no current year member contributions. Eligible participants were required to contribute annually an amount equal to 1% of current annual salary, or approximately \$200 per year. The City has chosen to fund the plan on a pay-as-you-go basis under which contributions to the plan above and beyond employee contributions are made at the same time and in the same amounts as benefit payments and expenses become due.

This method has been selected since no future entrants to the plan will occur because of the eligibility employment date. Presently, the total annual liability for pension benefits is approximately \$10,000 per year which the City feels can be funded on a pay-as-you-go basis through property tax levies since no funding of future benefits will be necessary due to a closed group situation which will result in no new participants.

CITY OF HAWARDEN, IOWA
Notes to Financial Statements
June 30, 2014

Note 8 - PENSION AND RETIREMENT FUND COMMITMENTS – (Continued)

The unfunded actuarial present value of credited projected benefits is \$91,588.

The unfunded actuarial present value of credited projected benefits is not recorded as a liability of the City. The City's contribution for the year was \$11,235 as required by the pay-as-you-go method of funding. This \$11,235 was paid by the City as required. The amount was not actuarially determined.

Three-year trend information is as follows:

	June 30, <u>2014</u>	June 30, <u>2013</u>	June 30, <u>2012</u>
Net position available for benefits as a percentage of the net pension obligation applicable to the City's employees	0.00%	0.00%	0.00%
Unfunded net pension obligation as a percentage of the City's annual covered pay-roll	N/A	N/A	N/A
City's contributions to the pension plan as a percentage of annual covered payroll	N/A	N/A	N/A

This is a closed system with all active members retired. Taxes are levied to sufficiently compensate the retired members involved in this system.

Note 9 - RISK FINANCING

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the 2012-2013 fiscal year the City has elected to purchase commercial insurance to cover against the risk of loss. There have been no settlements that exceeded insurance coverage during the last three fiscal years.

Note 10 - POSTCLOSURE COSTS

The City's landfill site has been closed since 1986 but state and federal laws and regulations require the City perform certain maintenance and monitoring functions at the site for 30 years after closure. The long-term postclosure costs recorded in the Solid Waste Utility of \$680 represents the estimated postclosure costs related to the landfill. These amounts are based on what it would cost to perform all postclosure care during the year ended June 30, 2014. Actual costs may be higher due to inflation, changes in technology, changes in regulations, or unexpected test results.

CITY OF HAWARDEN, IOWA
Notes to Financial Statements
June 30, 2014

Note 11 - NOTES RECEIVABLE

In fiscal year 2002, the City advanced Wee Care Child Care \$180,000 for improvements to leased portion of community center. The City borrowed these funds from a local institution and a receivable and liability of the same amount was recorded in the debt service fund. During fiscal year 2011 the City repaid the loan from local institutions and renegotiated with Wee Care to repay the City over 12 years. The receivable and liability were removed from the debt service fund and now a receivable is recorded in the internal service fund. The note bears interest at 3.00% with payments as shown as follows:

<u>Fiscal Year</u>	<u>Principal</u>
2015	\$ 11,106
2016	11,444
2017	11,792
2018	12,150
2019	12,519
2020-2023	39,344
Total Note Receivable	<u>\$ 98,355</u>

During the fiscal year ended June 30, 2010 the City loaned Pro Sport Bistro \$10,000 as part of the downtown incentive program for economic development. The loan was provided from the Tax Increment Financing fund. The first payment was due on April 1, 2010 and the note bears no interest. The remaining payments consist of the following:

<u>Fiscal Year</u>	<u>Principal</u>
2015	\$ 1,500
Total Note Receivable	<u>\$ 1,500</u>

Also during the fiscal year end June 30, 2009 the City opened a revolving loan fund. The purpose of the fund is to promote economic development in Hawarden. Loans by the City from Hawarden's Revolving Loan fund at June 30, 2014 consisted of \$272,506 to Hawarden Area Partnership for Progress. HAPP had until September 1, 2011 to sell their building. If at that time the building had not been sold the total \$389,295 loan will begin to be repaid to the City over 10 years at 0% interest. HAPP made payments totaling \$38,930 for the year ended June 30, 2014.

<u>Fiscal Year</u>	<u>Principal</u>
2015	\$ 38,930
2016	38,930
2017	38,930
2018	38,930
2019	38,930
2020-2021	77,856
Total Note Receivable	<u>\$ 272,506</u>

CITY OF HAWARDEN, IOWA
Notes to Financial Statements
June 30, 2014

Note 11 - NOTES RECEIVABLE – (Continued)

During the fiscal year ended June 30, 2012, the City made two loans through the USDA Rural Business Enterprise Grant Program. One loan was made to In-Weave for \$30,000 and had a balance of \$19,654 as of June 30, 2014. The other loan was made to Hoogestrat for \$30,000 and had a balance of \$21,034 as of June 30, 2014. Each loan is scheduled to be repaid over 7 years, with monthly payments, at 3% interest.

<u>Fiscal Year</u>	<u>Principal</u>
2015	\$ 8,408
2016	8,664
2017	8,927
2018	9,200
2019	5,489
Total Note Receivable	<u>\$ 40,688</u>

Note 12 - RELATED PARTY TRANSACTIONS

Hawarden Community Clinic

Effective January 1, 2005, Hawarden Regional Healthcare and Mercy Medical Services (MMS) entered into a joint venture whereby each partner has a 50% sponsorship interest in Hawarden Regional Healthcare Clinics, LLC, (HRHC). The Hawarden Regional Healthcare and MMS share equally in the net income (loss) of HRHC. The Hospital's share of Hawarden Clinic's (HC) 2014 and 2013 (from January 1 through June 30) operating loss was \$101,211 and \$31,136, respectively, and is included in joint venture loss, net in the accompanying statements of revenue, expenses and changes in net position.

The Hospital hires the employees of HC and leases them back to HC. Amounts received by the Hospital for expenses paid in 2014 and 2013 was \$387,527 and \$303,693, respectively, and is included in the accompanying statements of revenue, expenses and changes in net position. The Hospital also received management fees from HC totaling \$50,000 in 2014 and 2013, and monthly rent totaling \$27,600 for the years ended June 30, 2014 and 2013. These amounts are included in other revenue.

HC owed the Hospital \$558,545 and \$401,848 at June 30, 2014 and 2013, respectively. These amounts are recorded in due from related party on the balance sheets.

Ireton Community Clinic

Effective June 1, 2008, the Hawarden Regional Healthcare and Mercy Medical Services (MMS) entered into a joint venture whereby each partner has a 50% sponsorship interest in Ireton Community Clinic, LLC. (ICC). The Hospital and MMS share equally in the net income (loss) of ICC. The Hospital's share of ICC's 2014 and 2013 operating loss was \$23,914 and \$7,811, respectively, and is included in joint venture loss, net in the accompanying statements of revenue, expenses and changes in net position.

The Hawarden Regional Healthcare hires the employees of ICC and leases them back to ICC. Amounts received by the Hawarden Regional Healthcare for expenses paid in 2014 and 2013 was \$50,716 and \$49,861, respectively, and is included in the accompanying statements of revenue, expenses and changes in net position. The Hawarden Regional Healthcare also received management fees from ICC totaling \$10,000 in 2014 and 2013. These fees are included in other revenue.

CITY OF HAWARDEN, IOWA
Notes to Financial Statements
June 30, 2014

Note 12 - RELATED PARTY TRANSACTIONS – (Continued)

The Hospital owed ICC \$18,308 and \$5,378 at June 30, 2014 and 2013, respectively. These amounts are recorded in due from related party on the balance sheet.

Note 13 - LEASES WITH RELATED PARTIES

The Telephone Fund leases certain assets from the Electric Fund. The lease includes fiber optic cable and other assets associated with providing telecommunications utility. The lease provides for annual payments of \$145,354 with no set minimum lease term.

Note 14 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses, with the retirees paying the full premium. There are 23 active and -0- retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Principal. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution	\$ 1,602
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	1,602
Contributions made	-
Increase in net OPEB obligation	1,602
Net OPEB obligation beginning of year	8,526
Net OPEB obligation end of year	<u>\$ 10,128</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the City contributed \$-0- to the medical plan. Plan members eligible for benefits did not contribute any of the premium costs.

CITY OF HAWARDEN, IOWA
Notes to Financial Statements
June 30, 2014

Note 14 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) - (Continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2014 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	\$ 2,308	0.0%	\$ 4,616
June 30, 2012	\$ 2,308	0.0%	\$ 6,924
June 30, 2013	\$ 1,602	0.0%	\$ 8,526
June 30, 2014	\$ 1,602	0.0%	\$ 10,128

Funded Status and Funding Progress - As of June 30, 2013, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$12,999, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$12,999. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,251,056 and the ratio of the UAAL to covered payroll was 1.040%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the June 30, 2013 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 4.5% discount rate based on the City's funding policy. The projected annual medical trend rate is 7.0%. The ultimate medical trend rate is 5.0%. The medical trend rate is reduced 1.0% each year until reaching the 7.0% ultimate trend rate.

Mortality rates are from the 2004 United States Life Table, applied on a gender-specific basis. Annual retirement and termination probabilities were based on historical average retirement age for the covered group.

Projected annual claim costs of the medical plan are \$14,599 for retirees and \$21,899 for their spouses less than age 65 and there are no participating retirees who have attained age 65. The salary increase rate was assumed to be 2.0% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

CITY OF HAWARDEN, IOWA
Notes to Financial Statements
June 30, 2014

Note 15 – CONSTRUCTION COMMITMENTS

During the year ended June 30, 2014, and in previous years, the City had entered into several construction contracts totaling approximately \$2,540,430 of which approximately \$1,825,000 had been expended. The remaining balance will be paid as work progresses on the projects.

Note 16 – DEFICIT FUND EQUITY

The City has one fund with a deficit balance at June 30, 2014. The City intends to fund this through various resources including the general fund and grant funding.

The individual fund deficit was as follows:

Capital Project Street Project	\$ 191,197
Low-Mod Income Project	\$ 32,624

Note 17 – SUBSEQUENT EVENT

In July 2014, the City issued \$1,210,000 in General Obligation Bonds. The bonds have an interest rate of 2% - 3% and a maturity date of June 30, 2025. These bond proceeds are to be used to finance 16th Street improvements.

Discretely Presented Component Unit:

On August 21, 2014, the Hospital issued \$500,000 of Hospital Revenue Project Notes, Series 2014A and \$5,500,000 Bank Note, Series 2014B. Both notes are available for periodic draws as project costs are incurred. The Hospital approved an \$11.3 million expansion and renovation project in the fall of 2013 to be funded through existing reserves and interim construction financing. Upon completion of the project, the final financing will be provided through a combination of USDA direct loan proceeds of \$8.8 million and \$2.0 million of bank qualified revenue bonds. The project is underway and will be completed in various phases over the next two years.

Note 18 – PROSPECTIVE ACCOUNTING CHANGE

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27*. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HAWARDEN, IOWA
Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2014

Iowa Budget law requires the adoption of legal budgets for expenditures (expenses) on a program basis. The programs are public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Although the budget document presents program expenditures (expenses) by fund, the legal level of control is at the aggregated program level, not at the fund level. For example, all budget categories of a particular fund may be exceeded so long as total budgeted program expenditures (expenses) are not exceeded on a "city-wide" basis. Program expenditures (expenses) required to be budgeted include expenditures for the general fund, special revenue funds, debt service fund, capital project funds, permanent fund, and proprietary fund types (including internal service). Legally adopted budgets may be prepared on a cash basis or on a basis consistent with U.S. generally accepted accounting principles.

The City follows these procedures in establishing the budget data reflected in the financial statement.

1. At least six weeks prior to March 15, the City Clerk submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to March 15, the budget is legally enacted through passage of a resolution.
4. Amendments to the budget are considered and reviewed throughout the fiscal year. Amendments are subject to departmental review and by justification to the City Clerk. The budget is formally amended by City Council resolution. Public hearings on budget amendments are conducted if the amendment is at the program level. The original budget plus subsequent amendments constitute the annual appropriated budget. There are no other appropriations of budget that occur. During the year, the budget was amended to increase expenditures as follows:

	Original Budget	5/28/14 Amendment	Amended Budget
Public Safety	\$ 652,614	\$ 7,000	\$ 659,614
Public Works	396,416	55,000	451,416
Health and Social Services	300,000	-	300,000
Culture and Recreation	393,399	49,550	442,949
Community and Economic Development	113,454	43,000	156,454
General Government	108,112	-	108,112
Debt Service	239,993	-	239,993
Capital Projects	1,164,721	104,000	1,268,721
Business Type Activities	14,299,297	747,700	15,046,997
Transfer Out	1,585,603	223,000	1,808,603

CITY OF HAWARDEN, IOWA
Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2014

5. Legally adopted budgets are prepared on a program basis for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Project Funds and the Permanent Fund on a basis consistent with generally accepted accounting principles and reflect the annual appropriation resolutions adopted by the City Council.
6. Unexpended appropriations lapse at the end of each fiscal year.

Aggregation of Program Expenditures/Expenses for Governmental, Proprietary and Permanent Fund Types is shown on the next page to demonstrate legal compliance with budget:

CITY OF HAWARDEN, IOWA
Required Supplementary Information - Budgetary Reporting
For the Year Ended June 30, 2014

	Governmental Fund Types	Proprietary Fund Types	Primary Government Total
Revenue:			
Property Taxes	\$ 1,041,311	\$ -	\$ 1,041,311
Special Assessments	26,239	-	26,239
Licenses	25,599	-	25,599
Intergovernmental	704,921	-	704,921
Charges	332,491	5,694,372	6,026,863
Fines	12,988	-	12,988
Contributions	33,733	-	33,733
Refunds	14,097	-	14,097
Rental Income	43,992	-	43,992
Interest	11,301	33,252	44,553
Miscellaneous	5,278	84,912	90,190
Total Revenue	2,251,950	5,812,536	8,064,486
Expenditures:			
Public Safety	643,047	-	643,047
Public Works	433,991	-	433,991
Health and Social Services	292,197	-	292,197
Culture and Recreation	425,977	-	425,977
Community and Economic Development	135,807	-	135,807
General Government	87,133	-	87,133
Capital Projects	1,067,298	-	1,067,298
Debt Service	250,986	-	250,986
Business Type Activities	-	5,223,789	5,223,789
Total Expenditures/Expenses	3,336,436	5,223,789	8,560,225
Excess (deficiency) of revenues over expenditures	(1,084,486)	588,747	(495,739)
Other financing sources (uses):			
Transfers from Other Funds	1,531,826	-	1,531,826
Proceeds (Loss) from Asset Sales	1,306	-	1,306
Transfers to Other Funds	(972,826)	(559,000)	(1,531,826)
Total other financing sources (uses)	560,306	(559,000)	1,306
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures/Expenses and Other (Uses)	(524,180)	29,747	(494,433)
Fund Balance/Retained Earnings at Beginning of Year	2,067,999	8,270,639	10,338,638
Fund Balance/Retained Earnings at End of Year	\$ 1,543,819	\$ 8,300,386	\$ 9,844,205

Hawarden Community Hospital	Reporting Entity Total	Original Budget	Amendment	Final Amended Budget	Variance
\$ -	\$ 1,041,311	\$ 1,336,958	\$ -	\$ 1,336,958	\$ 295,647
-	26,239	-	-	-	(26,239)
-	25,599	24,675	-	24,675	(924)
292,197	997,118	470,957	127,000	597,957	(399,161)
7,567,986	13,594,849	13,796,203	550,000	14,346,203	751,354
-	12,988	-	-	-	(12,988)
45,015	78,748	-	-	-	(78,748)
-	14,097	-	-	-	(14,097)
-	43,992	-	-	-	(43,992)
6,214	50,767	22,700	26,070	48,770	(1,997)
100	90,290	29,500	-	29,500	(60,790)
7,911,512	15,975,998	15,680,993	703,070	16,384,063	408,065
-	643,047	652,614	7,000	659,614	16,567
-	433,991	396,416	55,000	451,416	17,425
-	292,197	300,000	-	300,000	7,803
-	425,977	393,399	49,550	442,949	16,972
-	135,807	113,454	43,000	156,454	20,647
-	87,133	108,112	-	108,112	20,979
-	1,067,298	1,164,721	104,000	1,268,721	201,423
-	250,986	239,993	-	239,993	(10,993)
7,363,317	12,587,106	14,299,297	747,700	15,046,997	2,459,891
7,363,317	15,923,542	17,668,006	1,006,250	18,674,256	2,750,714
548,195	52,456	(1,987,013)	(303,180)	(2,290,193)	(2,342,649)
-	1,531,826	1,585,603	223,000	1,808,603	276,777
-	1,306	136,000	-	136,000	134,694
-	(1,531,826)	(1,585,603)	(223,000)	(1,808,603)	(276,777)
-	1,306	136,000	-	136,000	134,694
548,195	53,762	(1,851,013)	(303,180)	(2,154,193)	(2,207,955)
5,415,506	15,754,144				
\$ 5,963,701	\$ 15,807,906				

CITY OF HAWARDEN, IOWA
 POST EMPLOYMENT HEALTHCARE BENEFITS
 SCHEDULE OF FUNDING PROGRESS
 For the Year Ended June 30, 2014

Audit Period	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
6/30/2011	6/30/2010	\$ -	\$ 14,965	\$ 14,965	0.00%	\$ 1,290,000	1.160%
6/30/2012	6/30/2010	\$ -	\$ 14,965	\$ 14,965	0.00%	\$ 1,143,000	1.309%
6/30/2013	6/30/2013	\$ -	\$ 12,999	\$ 12,999	0.00%	\$ 981,867	1.300%
6/30/2014	6/30/2013	\$ -	\$ 12,999	\$ 12,999	0.00%	\$ 1,251,056	1.040%

* Fiscal 2010 was the first year for calculating the Post Employment Benefit Obligation so information from previous years is not available.

See Note 14 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

CITY OF HAWARDEN, IOWA
COMBINING BALANCE SHEET
Governmental Nonmajor Funds
JUNE 30, 2014

	Special Revenue Funds					
	Road Use Tax	Employee Benefit Levy	Local Option Sales Tax	USDA Revolving Loan Fund	Revolving Loan Fund	Debt Service Fund
Assets						
Cash and Cash Equivalents	\$ 20,760	\$ 5,641	\$ -	\$ 23,890	\$ 117,361	\$ 6,192
Receivables (Net, where applicable, of allowance for uncollectibles)						
Taxes	-	2,509	-	-	-	1,471
Subsequent Year Taxes	-	131,245	-	-	-	93,105
Accrued Interest	-	-	-	23	117	-
Special Assessments	-	-	-	-	-	-
Notes Receivable	-	-	-	40,688	272,506	-
Due from Other Governmental Agencies	19,643	-	46,511	-	-	-
Restricted Assets:						
Donor Restricted Investments	-	-	-	-	-	-
Total Assets	40,403	139,395	46,511	64,601	389,984	100,768
Liabilities, Deferred Inflows of Resources, and Fund Balances						
Liabilities:						
Accounts Payable	-	-	46,511	-	-	-
Due to Other Funds	-	-	-	-	-	-
Total Liabilities	-	-	46,511	-	-	-
Deferred Inflows of Resources						
Unavailable Revenue- subsequent year taxes	-	131,245	-	-	-	93,105
Unavailable Revenue- special assessments	-	-	-	-	-	-
Total Deferred Inflows of Resources	-	131,245	-	-	-	93,105
Fund Balances (Deficits):						
Nonspendable:						
Library Endowment	-	-	-	-	-	-
Restricted for:						
Debt Service	-	-	-	-	-	7,663
Road Surface Repairs	40,403	-	-	-	-	-
Employee Benefits	-	8,150	-	-	-	-
Revolving Loan Fund	-	-	-	64,601	389,984	-
Library Endowment	-	-	-	-	-	-
Assigned for:						
Capital Improvement	-	-	-	-	-	-
Mapping	-	-	-	-	-	-
Capital Improvement and Facilities	-	-	-	-	-	-
Unassigned:	-	-	-	-	-	-
Total Fund Balances	40,403	8,150	-	64,601	389,984	7,663
Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)	\$ 40,403	\$ 139,395	\$ 46,511	\$ 64,601	\$ 389,984	\$ 100,768

Capital Projects							Permanent Fund	Total
Capital Improve-ment	Walking Trail Project	Street Special Assessments	Public Works Building Replacement	Capital Facilities Fund	Mapping	Low-Mod Income Project	Marie Gregg/ Vipond Trust	Governmental Nonmajor Funds
\$ 8,053	\$ 14,096	\$ 47,419	\$ 295,313	\$ 103,386	\$ 10,475	\$ -	\$ 35,004	\$ 687,590
-	-	-	-	-	-	-	-	3,980
-	-	-	-	-	-	-	-	224,350
-	-	-	-	-	-	-	197	337
-	-	41,201	-	-	-	-	-	41,201
-	-	-	-	-	-	-	-	313,194
-	-	-	-	-	-	53,730	-	119,884
-	-	-	-	-	-	-	134,816	134,816
8,053	14,096	88,620	295,313	103,386	10,475	53,730	170,016	1,525,350
-	-	-	923	-	-	-	-	47,434
-	-	-	-	-	-	86,354	-	86,354
-	-	-	923	-	-	86,354	-	133,788
-	-	-	-	-	-	-	-	224,350
-	-	41,201	-	-	-	-	-	41,201
-	-	41,201	-	-	-	-	-	265,551
-	-	-	-	-	-	-	134,945	134,945
-	-	-	-	-	-	-	-	7,663
-	-	-	-	-	-	-	-	40,403
-	-	-	-	-	-	-	-	8,150
-	-	-	-	-	-	-	-	454,585
-	-	-	-	-	-	-	35,071	35,071
8,053	-	47,419	-	-	-	-	-	55,472
-	-	-	-	-	10,475	-	-	10,475
-	14,096	-	294,390	103,386	-	-	-	411,872
-	-	-	-	-	-	(32,624)	-	(32,624)
8,053	14,096	47,419	294,390	103,386	10,475	(32,624)	170,016	1,126,012
\$ 8,053	\$ 14,096	\$ 88,620	\$ 295,313	\$ 103,386	\$ 10,475	\$ 53,730	\$ 170,016	\$ 1,525,350

CITY OF HAWARDEN, IOWA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Nonmajor Funds
JUNE 30, 2014

	Special Revenue Funds					
	Road Use Tax	Employee Benefit Levy	Local Option Sales Tax	USDA Revolving Loan Fund	Revolving Loan Fund	Debt Service Fund
Revenue:						
Taxes	\$ -	\$ 131,160	\$ -	\$ -	\$ -	\$ 93,223
Special Assessments	-	-	-	-	-	-
Intergovernmental Revenue	253,021	-	292,197	-	-	-
Contributions	-	-	-	-	-	-
Interest	-	-	-	1,425	399	185
Miscellaneous	-	-	-	-	-	-
Total Revenue	253,021	131,160	292,197	1,425	399	93,408
Expenditures:						
Public Safety	-	11,783	-	-	-	-
Public Works	32,000	-	-	-	-	-
Health and Social Services	-	-	292,197	-	-	-
Culture and Recreation	-	-	-	-	-	-
Capital Projects	-	-	-	-	-	-
Debt Service	-	-	-	-	-	239,992
Total Expenditures	32,000	11,783	292,197	-	-	239,992
Excess (deficiency) of revenues over expenditures	221,021	119,377	-	1,425	399	(146,584)
Other financing sources (uses):						
Transfers In	-	-	-	-	-	146,890
Transfers Out	(210,000)	(119,186)	-	-	-	-
Total other financing sources (uses)	(210,000)	(119,186)	-	-	-	146,890
Net Change in Fund Balance	11,021	191	-	1,425	399	306
Fund balances - beginning of year	29,382	7,959	-	63,176	389,585	7,357
Fund balances (Deficits) - end of year	\$ 40,403	\$ 8,150	\$ -	\$ 64,601	\$ 389,984	\$ 7,663

Capital Projects								Permanent Fund	Total
Capital Improve- ment	Walking Trail Project	Street Special Assessments	Public Works Building Replacement	Capital Facilities Fund	Mapping	Low-Mod Income Project	Marie Gregg/ Vipond Trust	Governmental Nonmajor Funds	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 224,383
-	-	26,239	-	-	-	-	-	-	26,239
-	-	-	-	-	-	102,402	-	-	647,620
-	-	-	-	-	-	19,379	5,826	-	25,205
45	72	2,001	1,296	473	52	8	1,236	-	7,192
-	-	-	-	-	-	20	-	-	20
45	72	28,240	1,296	473	52	121,809	7,062	-	930,659
-	-	-	-	-	-	-	-	-	11,783
-	-	-	-	-	-	-	-	-	32,000
-	-	-	-	-	-	-	-	-	292,197
-	-	-	-	-	-	-	12,374	-	12,374
-	4,500	-	13,382	-	3,000	146,413	-	-	167,295
-	-	-	-	-	-	-	-	-	239,992
-	4,500	-	13,382	-	3,000	146,413	12,374	-	755,641
45	(4,428)	28,240	(12,086)	473	(2,948)	(24,604)	(5,312)	-	175,018
-	-	-	34,000	5,250	-	-	-	-	186,140
(10,000)	-	(23,000)	-	-	-	-	-	-	(362,186)
(10,000)	-	(23,000)	34,000	5,250	-	-	-	-	(176,046)
(9,955)	(4,428)	5,240	21,914	5,723	(2,948)	(24,604)	(5,312)	-	(1,028)
18,008	18,524	42,179	272,476	97,663	13,423	(8,020)	175,328	-	1,127,040
\$ 8,053	\$ 14,096	\$ 47,419	\$ 294,390	\$ 103,386	\$ 10,475	\$ (32,624)	\$ 170,016	\$ -	\$ 1,126,012

CITY OF HAWARDEN, IOWA
COMBINING STATEMENT OF NET POSITION
Fiduciary Funds
JUNE 30, 2014

	Agency Funds			
	Payroll Clearing	Flex Spending	Community Projects	Total
ASSETS				
Cash and Cash Equivalents	\$ 8,481	\$ 4,661	\$ 10,381	\$ 23,523
Total Assets	<u>8,481</u>	<u>4,661</u>	<u>10,381</u>	<u>23,523</u>
LIABILITIES				
Accounts Payable	-	-	50	50
Due to Other Governments	8,481	4,661	10,331	23,473
Total Liabilities	<u>\$ 8,481</u>	<u>\$ 4,661</u>	<u>\$ 10,381</u>	<u>\$ 23,523</u>

CITY OF HAWARDEN, IOWA
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2014

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
<u>PAYROLL CLEARING</u>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 5,398	\$ 1,712,515	\$ 1,709,432	\$ 8,481
Total Assets	5,398	1,712,515	1,709,432	8,481
<u>Liabilities</u>				
Due to Other Governments	5,398	1,712,515	1,709,432	8,481
Total Liabilities	5,398	1,712,515	1,709,432	8,481
<u>FLEX SPENDING</u>				
<u>Assets</u>				
Cash and Cash Equivalents	3,276	18,819	17,434	4,661
Total Assets	3,276	18,819	17,434	4,661
<u>Liabilities</u>				
Due to Other Governments	3,276	18,819	17,434	4,661
Total Liabilities	3,276	18,819	17,434	4,661
<u>COMMUNITY PROJECTS FUND</u>				
<u>Assets</u>				
Cash and Cash Equivalents	12,296	6,832	8,747	10,381
Total Assets	12,296	6,832	8,747	10,381
<u>Liabilities</u>				
Due to Other Governments	12,296	6,832	8,747	10,381
Total Liabilities	12,296	6,832	8,747	10,381
<u>ALL AGENCY FUNDS TOTAL</u>				
<u>Assets</u>				
Cash and Cash Equivalents	20,970	1,738,166	1,735,613	23,523
Total Assets	20,970	1,738,166	1,735,613	23,523
<u>Liabilities</u>				
Due to Other Governments	20,970	1,738,166	1,735,613	23,523
Total Liabilities	\$ 20,970	\$ 1,738,166	\$ 1,735,613	\$ 23,523

CITY OF HAWARDEN
Schedule of Findings
For the Year Ended June 30, 2014

Part I: Summary of the Independent Auditor's Results

- (a) An unmodified opinion was issued on the financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were reported.
There were no prior year audit findings.

INTERNAL CONTROL MATERIAL WEAKNESS:

II-A-14 Financial Reporting

Observation – During the audit, we identified material amounts of receivables, payables and capital asset additions not recorded in the City's financial statements. Adjustments were subsequently made by the City to properly include these amounts in the financial statements.

Recommendation – The City should implement procedures to ensure all receivables, payables and capital asset additions are identified and included in the City's financial statements.

Response – We will double check these in the future to avoid missing any receivables, payables or capital asset transactions.

Conclusion – Response accepted.

Part III: Other Findings Related to Required Statutory Reporting

III-A-14 Certified Budget – Disbursements during the year ended June 30, 2014 exceed amounts budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

III-B-14 Questionable Expenses – We noted no expenditures that we believe may constitute unlawful expenditures from public funds as defined in an Attorney General's opinion dated April 25, 1979.

CITY OF HAWARDEN
Schedule of Findings
For the Year Ended June 30, 2014

Part III: Other Findings Related to Required Statutory Reporting – (Continued)

- III-C-14** Travel Expenses – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- III-D-14** Business Transactions – No business transactions between the City and City officials and/or employees were noted.
- III-E-14** Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- III-F-14** Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- III-G-14** Revenue Bonds – No violations of revenue bond resolutions were noted.
- III-H-14** Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- III-I-14** Telecommunication Services – No instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the City Council
City of Hawarden, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hawarden, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Hawarden, Iowa's basic financial statements and have issued our report thereon dated December 1, 2014. Our report includes a reference to other auditors who audited the financial statements of Hawarden Regional Healthcare, as described in our report on the City of Hawarden's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Hawarden, Iowa's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Hawarden, Iowa's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Hawarden, Iowa's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings as item II-A-14 to be a material weakness.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Hawarden, Iowa's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Hawarden, Iowa's Response to Findings

The City of Hawarden, Iowa's response to the findings identified in our audit is described in the accompanying schedule of findings. The City of Hawarden, Iowa's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Williams & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
December 1, 2014